

# STATISTICAL PRESS RELEASE



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## Central Balance Sheet Study | 23 – Sectoral analysis of non-financial corporations in Portugal 2010-2015

Central Balance Sheet Study | 23 – *Sectoral analysis of non-financial corporations in Portugal 2010-2015* analyses the economic and financial situation of non-financial corporations (NFCs) in Portugal, on the basis of Banco de Portugal's Central Balance Sheet Database data. Results are broken down by size class and economic activity sector.

This Study updates Central Balance Sheet Study | 18 – *Sectoral analysis of non-financial corporations in Portugal 2009-2014*, of November 2014, incorporating data obtained from *Informação Empresarial Simplificada* – IES (Simplified Corporate Information) for 2014, while the first half of 2015 is also analysed where additional information is available, especially regarding bank loans.

### Main results

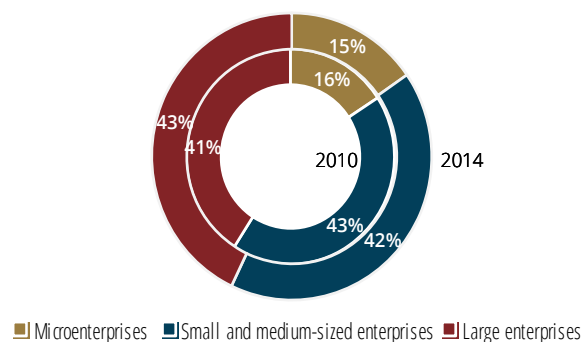
#### Structure and dynamics

In 2014, of the 390,000 active enterprises in Portugal, 89% were microenterprises. Large enterprises, despite accounting for 0.3% of the number of enterprises, generated the highest share of turnover (43%). Compared with 2010, there was an increase in the share of microenterprises (2 p.p.), while large

enterprises reinforced their weight on total turnover (2 p.p.) (Chart 1).

Chart 1

Structure | Turnover by size class (2010 and 2014)



By sector of economic activity, 74% of NFCs were part of the services sectors (trade and other services), accounting for 60% of its turnover. The sectoral structure in terms of number of enterprises underwent little change from 2010. However, there was a noticeable increase in the importance of manufacturing (+3 p.p.) to the detriment of construction (-4 p.p.) in terms of turnover (Chart 2).

Chart 2

Structure | Turnover by economic activity sector (2010 and 2014)

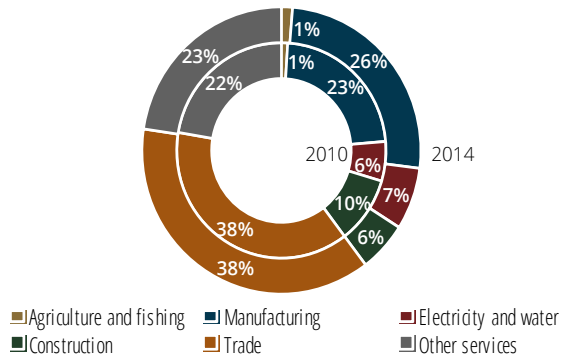
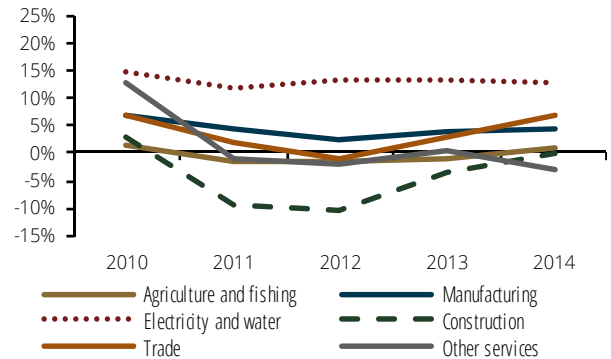


Chart 4

Return on equity (2010 to 2014)



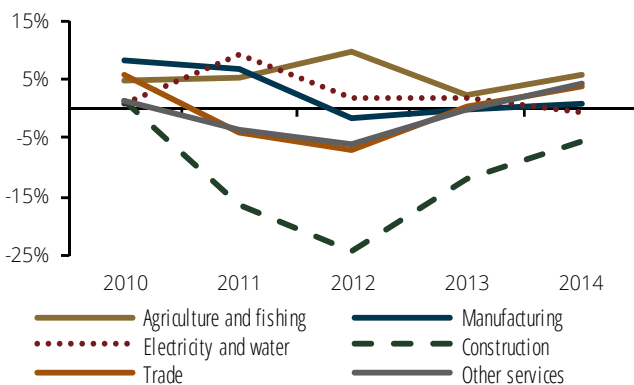
### Activity and profitability

NFC's turnover grew slightly over 2% in 2014, after a marginal decline in 2013 (0.5%). According to preliminary data from the Central Balance Sheet Database, this indicator was relatively stable in the first half of 2015.

Most economic activity sectors saw their turnover increase in 2014, except for electricity and water and construction (with decreases of 1% and 5% respectively) (Chart 3).

Chart 3

Turnover | Annual growth rate (2010 to 2014)



The combination of developments in operating income and expenses led to a 1% EBITDA growth in 2014 and, consequently, the maintenance of return on equity at 3% (Chart 4).

Small and medium-sized enterprises (SMEs) posted the highest net profitability as a percentage of turnover (3%), while microenterprises recorded a negative value (-3%). Electricity and water was the sector with the highest net profitability (11%), comparing favourably with manufacturing and trade (both with 2% profitability levels).

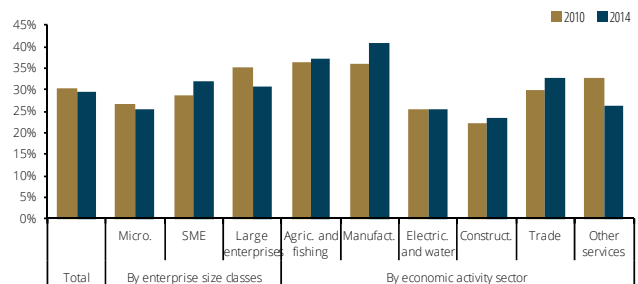
### Financial structure

The average capital ratio of NFCs declined marginally from 2013, standing at 30%.

Between 2010 and 2014, the capital ratio deteriorated the most among large enterprises (5 p.p.). In sectoral terms, this indicator declined only in other services (6 p.p.) and electricity and water (marginal decrease from 2010) (Chart 5).

Chart 5

Capital ratio (2010 and 2014)



High leverage was particularly critical for approximately 30% of NFCs in Portugal, which recorded negative equity in 2014. Of these, this was the case for 32% of microenterprises, but only 6% of large enterprises.

At sectoral level, the highest figures were those posted for trade (32%) and other services (31%), while the lowest were seen in electricity and water (20%).

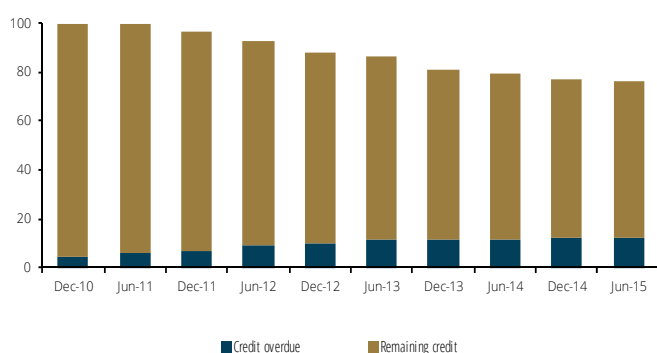
Bank loans were the main source of debt (26%), followed by intra-group financing (21%) and trade credits (16%).

Data available for 2015 compiled by the Central Credit Register of Banco de Portugal shows that the total stock of loans to NFCs as at June 2015 accounted for 77% of the figure observed in 2010. Over the same period, the quality of credit granted to enterprises deteriorated. At the end of June 2015, the non-performing loans ratio amounted to 16.3%, comparing unfavourably with 4.8% at the end of 2010 (Chart 6).

At the end of the first half of 2015, construction had the highest non-performing loans ratio (31.0%, compared with 7.1% in 2010), followed by trade (16.4%, compared with 6.3% in 2010). Conversely, electricity and water posted the lowest value (1.0%, compared with 0.3% in 2010).

**Chart 6**

Credit from resident credit institutions (2010=100) and weight of the non-performing loans ratio (2010 to 2015 – end of the first half-year)



## Financial costs and solvency

Interest paid by NFCs declined by 7% in 2014, from 2013. Preliminary data from the Central Balance Sheet Database indicates that this downward trend extended into the first half of 2015.

The fall of interest expenses, together with positive developments in EBITDA in 2014, led to a broadly based reduction in financial pressure on NFCs (as measured by the weight of interest in EBITDA), from 30% in 2013 to 28% in 2014 (Table 1).

**Table 1**

Financial pressure (Interest expenses/EBITDA)  
(2013 and 2014)

	2013	2014
Total	29.9%	27.7%
By size class		
Microenterprises	77.1%	56.2%
SMEs	28.9%	24.3%
Large enterprises	23.6%	25.2%
By economic sector		
Agriculture and fishing	25.9%	21.3%
Manufacturing	19.5%	17.2%
Electricity and water	28.6%	27.5%
Construction	99.4%	60.0%
Trade	22.2%	16.3%
Other services	32.1%	36.6%

## Trade credit financing

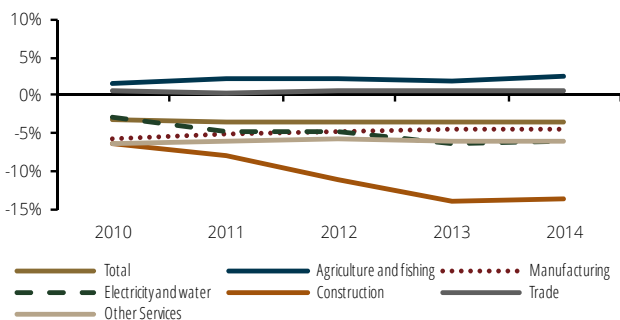
Trade credit financing accounted for 16% of enterprises' liabilities in 2014. However, in net terms, the sector did not obtain financing through this means, since enterprises financed their customers by more than they obtained in financing from suppliers.

Indeed, the balance of accounts payable and accounts receivable, weighted by turnover, was negative across all size classes, particularly in the case of SMEs (6%). Large enterprises and microenterprises had negative trade credit financing, in net terms, equivalent to 1% of their turnover.

By economic activity sector, only agriculture and fishing (3%) and trade (1%) obtained net trade credit financing. In the other sectors, credit obtained from suppliers was lower than credit granted to customers, particularly in construction (-14%), where this indicator was somewhat stable in 2014, having departed from a deteriorating trend up to 2013 (Chart 7).

Chart 7

Net trade credit financing | By economic activity sector, as a percentage of turnover (2010 to 2014)



## Analysis of the export sector

In the 2006-14 period, the export sector<sup>1</sup> comprised, on average, 40% of total exporting enterprises. In 2014, the export sector included 6% of the number of enterprises, 25% of the number of employees, and 37% of turnover of NFCs in Portugal. These shares followed an upward trend in the 2006-14 period.

Over one-fifth of total export sector enterprises identified for each year could be considered to be part of the export sector over the entire period. A very significant share of national exports was likely associated with a small and stable set of enterprises, where two-thirds of the export sector's volume of exports were concentrated.

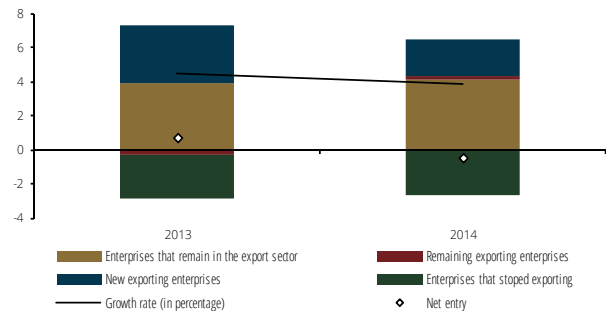
<sup>1</sup> The export sector comprises enterprises for which the external market has greater relevance. Hence, this sector includes enterprises where, for each year:

- At least 50% of their turnover results from exports of goods and services; or,
- At least 10% of their turnover results from exports of goods and services when these exceed €150,000.

The most substantial contribution to exports was made by those enterprises that were part of the export sector for two consecutive years. In 2014 this contribution amounted to 4 p.p. of a 4% rate of change in NFC exports (Chart 8).

Chart 8

Exports | Annual growth rate (%) and contributions (p.p.) (2013 and 2014)



Focusing on new enterprises in each given year, the percentage of enterprises in the export sector has grown, reaching 5% over the past three years (Chart 9).

Chart 9

Exporting enterprises | Weight in total new enterprises (2006 to 2014)

